



Montgomery County, Maryland

MODERATELY PRICED DWELLING UNIT (MPDU) PROGRAM



Website: www.montgomerycountymd.gov/mpdu

Requesting a Shared Profit Calculation

For Owners of MPDUs after the Control Period Has Expired

Introduction:

After the control period has expired on your MPDU, you may sell it on the open market at a fair market price. As part of your initial agreement with the County, you are required to share one-half of the “excess profit” with the County. This money is used to finance and produce new affordable housing in Montgomery County for other low- and moderate-income families.

In order to calculate the county’s share of the profit that will be due upon the sale of your MPDU, please review the following information that will answer questions you may have. After that, please use the cover sheet that has been provided, attach the required information, and send (or fax the information to):

MPDU Program
Department of Housing and Community Affairs
100 Maryland Avenue, Fourth Floor
Rockville, MD 20850
Phone: 240-777-3790
Fax: 240-777-3709
Attn: Maureen Harzinski

The complete packet of information must be received in the MPDU office at least 21 days before the date of settlement. Failure to submit the information in a timely manner may result in the postponement of the settlement. Thank you for assistance in this process.

Shared Profit Calculation:

For MPDUs that were initially offered by the builder through the MPDU program after March 20, 1989, the owner may sell the unit on the open market for a fair market price once the applicable control period has expired. However, the owner must pay one-half of the excess profit into Montgomery County’s Housing Initiative Fund (HIF) in order to provide affordable housing units in the future. The County also has the right-of-first-refusal to match the proposed fair market sales price.

The method used to calculate the shared profit owed to the County is set by the Executive Regulations governing the MPDU Program. The following example shows how the County's portion of the excess profit is calculated. The example assumes an initial purchase price of \$80,000 in 1995, and a current market sales price of \$250,000:

Initial Acquisition Price in 1995:	\$ 80,000
Increase in CPI (25% increase):*	\$ 20,000
Documented Capital Improvements:	\$ 5,000
Real Estate Commission (up to 6% of market sales price):**	\$ 15,000
½ of Transfer Tax & Recording Fee (1.1% of sales price):	\$ 2,750
Adjusted Base:	\$122,750
Fair Market Sales Price (as shown on sales contract and HUD-1:	\$250,000***
Less: Adjusted Base (from above):	\$122,750
Excess Profit (the Difference between Adjusted Base and the Fair Market Sales Price):	\$127,250
Share of Excess Profit to Owner (50%):	\$ 63,625
Share of Excess Profit to County (50%):	\$ 63,625
Total Proceeds to Owner (to be used to pay off existing mortgage, home equity loan, other debt, etc.):	\$186,375
Total Shared Profit to County (to be used to produce new affordable housing):	\$ 63,625

* CPI – the Consumer Price Index, a measure of inflation; this number will vary depending on the length of time you own the MPDU. The number shown above is only an example.

** - credit for a Real Estate commission may only be given if the buyer and seller use a licensed, third-party real estate agent.

*** - no credit is given for subsidies, assistance, incentives or cash paid by the seller on behalf of the buyer; no credit is given for financing points that are rolled into the sales price.

Sales Contract

In order to calculate the shared profit that will be due to the County upon sale of the MPDU, the owner must provide the County with a signed copy of the sales contract as soon as possible after it is signed. In order to receive credit for eligible improvements, the owner must also submit a list of improvements, showing the cost of each item, as well as documentation of the cost (such as receipts or cancelled checks). Finally, the owner must provide the name, contact information, phone and fax number for the settlement attorney.

Please note that Montgomery County has the right-of-first-refusal on all MPDUs that are being sold for the first time after the control period has expired. The County will notify you in writing if it wishes to exercise its right to purchase your MPDU after we have received all the information related to the sale (described above).

Creditable Home Improvements:

The following information sheet is a guide which lists the improvements that are allowed and for which credit is given when the house is resold prior to the expiration of the control period, or when it is sold for the first time after the applicable control period has expired. When requesting an approved resale price or shared profit calculation, an MPDU owner should refer to this guide.

Acceptable Documentation

The following documentation is acceptable as proof of payment for improvements made: store receipts, cancelled checks, ratified two-party contracts, signed company invoices, a copy of credit card statement (please highlight the item/service for which credit is claimed).

Other documents, such as proposals, estimates, invoices that are not cancelled, or electronic receipts are not valid. If you pay cash, your contractor must give you a cash receipt. DHCA reserves the right to reject any documentation that does not meet these requirements.

SECTION A **IMPROVEMENTS ALLOWED**

MPDU owners are advised to check with the Moderately Priced Dwelling Unit (MPDU) office if they have a question on the eligibility of an improvement prior to its installation. MPDU owners are further required to save all receipts for improvements and to mail copies of the receipts to the MPDU office when requesting a resale price or shared profit calculation. Any receipts provided must indicate that the improvements have been paid for; proposals for work to be done are not sufficient verification that payment has been made to the contractor. For those improvements that require a building permit (as indicated below), submit a copy of the building permit.

The CPI inflation adjustment will be applied to all upgrade appliances that were not included in the MPDU base price; however, depreciation will be deducted on a straight line 10-year basis. The following improvements are normally considered to be of a permanent nature and may be added to the resale price determination when they were not included in the original purchase price:

1. Completion of unfinished areas into living areas, room additions, carports and garages (requires a building permit)
2. Insulation
3. Dishwashers and disposals (built-in) (depreciated over 10 years)
4. Bathroom vanities
5. Perimeter fencing of yards (requires a building permit)
6. Bathtub enclosures (permanently attached)
7. Timer thermostat for heating/ air conditioning systems
8. Storm windows and/or doors
9. Permanently installed humidifiers (depreciated)
10. Fireplaces (requires a building permit)

11. Storage closets
12. Additional kitchen cabinets (if made part of regular kitchen)
13. Exhaust, attic & ceiling fans
14. Patios, porches and decks (requires a building permit)
15. Storage shed (requires a building permit if built from scratch)
16. Washer and/or dryer (depreciated over 10 years)
17. Larger water heaters (difference in value)
18. Upgrades: (Originally purchased through builder)
 - a. Carpet and padding (difference in value and depreciated)
 - b. Kitchen floor tile (difference in value and depreciated)
 - c. Kitchen cabinets
 - d. Self-cleaning range (difference in value and depreciated)
 - e. Refrigerator (difference in value and depreciated)
19. Microwave (permanently attached and depreciated)
20. Electronic security system
21. Landscaping – including additional shrubs or trees, retaining walls (with receipts up to a maximum of \$500)
22. Shades, Venetian blinds, curtains, draperies, valances, and other window coverings or decorations (with receipts up to a maximum of \$500)
23. Removal of refrigerators/freezers, dishwashers or ranges and installing replacements
24. Telephone jacks and wiring
25. Cable TV installation
26. Replacement of carpeting; installation of tile in areas that were previously carpeted, or installation of hardwood flooring
27. Replacement of heating, ventilating and air conditioning equipment (requires a building permit)

SECTION B

IMPROVEMENTS NOT ELIGIBLE FOR CREDIT

The following items are normally considered to be non-permanent or cosmetic improvements, and will not add to the resale price of the unit. Credit is also not given for work or materials that are considered part of routine maintenance of your home. Credit will not be given for the improvements listed below:

1. Interior and external painting
2. Humidifiers (portable)
3. Additional light fixtures
4. Door bell chimes, knockers, peepholes, house numbers
5. Shelving (permanently attached or removable)
6. Wallpaper
7. Paneling on previously finished walls or ceilings
8. Substitution of towel racks and other bathroom accessories
9. Replacement of window panes
10. Siding maintenance
11. Roof maintenance

12. Conversion of existing area to another use (i.e., conversion of a bedroom to a recreational room) except as indicated in Section A – Improvements Allowed
13. Television antennas
14. Window air conditioners
15. Portable heaters

Additionally, DHCA does not give credit for subsidies, assistance, incentives or cash paid by the seller on behalf of the buyer, including financing points that are rolled into the sales prices.

APPROVED POLICY GOVERNING THE IMPROVEMENTS FOR OWNERS RESELLING
THEIR MPDUS – June 5, 2003

- Department of Housing and
Community Affairs

Date _____
**Request for a Shared Profit Calculation
COVER SHEET**

Instructions: Please complete this form, attach the requested information, and mail or fax it to:

MPDU Program
Department of Housing and Community Affairs
100 Maryland Avenue, Fourth Floor
Rockville, MD 20850
Fax: 240-777-3709
Attn: Maureen Harzinski

Name of Owner: _____

MPDU Address: _____

Daytime Phone Number(s): _____

Settlement Date: _____

	Real Estate Agent:	Settlement Agent:
Name:	_____	_____
Address:	_____	_____
	_____	_____
Phone Number:	_____	_____
Fax Number:	_____	_____

Please attach the following information and check off appropriate box:

- ☐ Copy of the Sales Contract (the first page showing the market sales price and the executed signature page is acceptable)
- ☐ Copy of Listing Agreement only if commission is different than 6% (submit only first page and page showing commission rate)
- ☐ List of Allowed Improvements made to the property, with the cost of each item shown
- ☐ Documentation of Costs (receipts, cancelled checks, ratified contracts, signed invoices, etc.) – please use the attached form
- ☐ For those improvements requiring a building permit, a copy of the building permit(s).

By signing below, I certify that all the attached information is complete and accurate to the best of my knowledge. I certify that any improvements claimed are true and accurate.

Signature: _____

Date: _____

List of Creditable MPDU Improvements

Name: _____

Address: _____

Improvement	Cost	Proof of Payment?	
		Yes	No

<i>Example:</i> <i>Carpet in Main Bedroom</i>	<i>\$500</i>	<i>X</i>	
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Note: _____

Please number your receipt or cancelled check with the same number of the improvement listed above. Circle or highlight the cost, especially when there are several items in the receipt.